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Released Reference ID Created Classification Origin 10MOSCOW140 2010-01-21 14:53 2011-08-30 01:44 CONFIDENTIAL Embassy Moscow

Appears in these articles:

http://www.novayagazeta.ru/data/2011/069/10.html

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VZCZCXRO4112
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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 000140

E.O. 12958: DECL: 01/21/2020 TAGS: PREL PGOV RS
SUBJECT: RUSSIAN INTELLECTUALS PRESENT BEARISH OUTLOOK TO U/S BURNS

Classified By: DCM Eric S. Rubin for reasons 1.4(b, d)

11. (C) During a January 13 discussion with U/S Burns, four 11. (C) During a January 13 discussion with U/S Burns, four prominent Russian intellectuals agreed the current Russian leadership is not successfully tackling the immense economic and social challenges facing the country. Despite Medvedev's progressive "modernization" rhetoric, vested interests that profit from Russia's continued dependence on resource rents will likely block genuine reform. The GOR's crackdown on public protests stems from fear of a repeat of the Orange Revolution and concerns about the reliability of the security forces. Putin remains the dominant force in the GOR with the resources and cadres to back him; on foreign policy, Medvedev is using different tactics for the same policies, which are simultaneously friendly and hostile to the West. All agreed Putin will most likely return to the presidency in 2012. End summary. summary.

MODERNIZATION/REFORM

MODERNIZATION/REFORM

13. (C) XXXXXXXXXXXX said the business community is giving up on Medvedev's promises of modernization and noted that Putin's presidency had also begun with ambitious targets to be met by 2010 -- known as the Gref plan -- only 27% of which have been implemented. While there is widespread acknowledgment of the need for reform, the elite who control the economy are content with the status quo, in which they receive a secure slice of the pie based on their control of rents gained from natural resource exports. Reform, even if it promises to increase dramatically the size of the pie, is not in their interest if it threatens their slice. As a result, there is a strong bias towards inertia. XXXXXXXXXXXX seconded this analysis but said the problem is systemic and not tied to the Putin government, noting that dependence on natural resources (a feature of Russia's economy for 300 years) destroys the demand for modernization. Moreover, the current generation of leaders believes oil prices will stay high so there will be sufficient rents to sustain them. XXXXXXXXXXXX said another factor mitigating against reform is that Putin's team believes the global economic crisis will end in 2011, triggering a resurgence in oil prices. In the meantime, the government will borrow and spend to keep the economy going.

POLITICAL APATHY, OFFICIAL FEAR

POLITICAL APATHY, OFFICIAL FEAR

14. (C) Despite the lack of demand for reform and modernization and widespread political apathy, XXXXXXXXXXX contended the ruling elite is fundamentally insecure about its position. Citing opinion surveys, she claimed that even among high-ranking officials there is widespread disgust for government corruption and support for reform, especially rule of law, suggesting a strong, silent constituency for change exists. She also claimed that in last fall's municipal elections, even in central Moscow (home to bureaucrats and other beneficiaries of the status quo) the ruling United

Russia party received only 12%, while 47% of the ballots were spoiled intentionally, i.e. people opted for "none of the above." (The official results showed overwhelming support for United Russia.) Moreover, the catastrophes caused by ageing infrastructure (such as the collapse of the Siberian hydro station last summer) and imminent regional budget crises which threaten to cut off salaries to teachers and other public workers could also serve as triggers for instability.

15. (C) XXXXXXXXXXXXX concurred, noting the leadership remains frightened of a repeat of the Orange revolution in Ukraine, which is why there is a ban on public demonstrations. In addition, local police are not trusted to quell disorder, so when there were large protests in Vladivostok, special police were flown in from Moscow and the Interior Ministry uses police from surrounding regions to deal with protests in the capital. XXXXXXXXXXXX said that, despite the bad press abroad, the rough treatment of demonstrations has succeeded in sending a strong message to students: if you participate in this activity, you could get beaten up and/or spend time in jail. XXXXXXXXXXXX said that, as a result of the stifled political climate and sense of stagnation in the economy, a large percentage of people are voting with their feet (or trying to) by seeking to move abroad.

TANDEM: PUTIN CALLS THE SHOTS

- 16. (C) XXXXXXXXXXXX said the baseline assumption is that Putin intends to return to the presidency in 2012 and remain there until 2024. He noted that Medvedev had made some important moves independent of Putin, but they were not sufficient to suggest he could become Putin's rival. XXXXXXXXXXX said Medvedev is not prepared for a struggle for power; he has not created institutions to support his position and he does not have a pool of cadres to work for him. In his first year in office, he has placed fewer than 1000 loyalists into the government. Putin, with his protgs in the security services, could fill 7000 jobs overnight if he needed to, XXXXXXXXXXXXXXX said.
- 17. (C) On foreign policy, XXXXXXXXXXX said Putin's paradigm remains in force whereby Russia acts as both a friend and a foe of the West and N 18. (U) U/S Burns has cleared this message. Beyrle